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International bank lending trends

Several significant trends in international bank lending emerge from comprehensive data now available for the full year 1984 and partial data for the first quarter of 1985. Overall growth had slowed dramatically by 1983, from the 23% pace recorded in 1981, and was only about 7% in 1984. Preliminary indications from data for the first quarter of 1985 suggest that this year's expansion in overall international bank lending is likely to remain very modest. This slowdown has been led by U.S. banks, whose outstanding international claims actually declined 9.5% last year and were virtually flat in the first quarter of this year. By contrast, non-U.S. banks' international claims rose by nearly 10% last year, Japanese banks accounting for the bulk of the growth.

A major factor in the overall slowing of international bank lending since 1981-82 has been a sharp and continuing deceleration in lending to LDCs. Following a 6½% increase in 1983, bank credit to developing countries grew by only 2% last year and is unlikely to pick up for some time to come. U.S. banks alone reduced their outstandings to LDCs in 1984 by nearly 3%. There is no evidence that *net* voluntary lending to countries that have experienced debt problems has resumed since 1982. Any new voluntary extensions of short-term trade credit have been more than offset by net repayments of existing loans. Banks have curtailed net new lending, even to developing countries that have avoided debt problems, partly out of caution, but also because many of those borrowers have accomplished significant external payments adjustments and are exercising intentional borrowing restraint.

Banks are seeking to contain their concentrations of LDC risk and to lower their LDC exposures relative to capital. By the end of 1984 the ratio of outstanding cross-border and foreign office non-local-currency claims on developing countries to the primary capital of U.S. banks involved in international lending had been reduced to below the end-1977 level. The corresponding ratio for the nine largest U.S. money center banks, which account for nearly two-thirds of all U.S. banks' claims on LDCs, was back down to the end-1978 level, thanks both to the cutback in lending and a rapid buildup of primary capital in recent years. With continuing additions to primary capital and restrained LDC lending expected for several more years, significant further improvements in

these ratios are likely.

International bank lending to industrial countries as a group also has been rather subdued. It accelerated moderately in 1984, but principally through stepped-up interbank activity. International lending to nonbank entities in industrial countries expanded by only about 4%. Much of this lending, both interbank and to nonbank entities, has served to meet relatively strong U.S. credit demands. U.S. banks and corporate borrowers have often found cheaper funding from the Eurodollar market than from domestic sources. With banks remaining very cautious about lending to LDCs and with limited credit demands from other industrial countries, the shift in international bank lending toward the United States is likely to persist this year.

While net bank-intermediated inflows to the United States grew last year and again in the first quarter of this year, they accounted for only about one-quarter and one-third, respectively, of total net U.S. capital inflows during these periods. In Japan last year net bank-intermediated flows comprised an even smaller fraction of the large net capital outflows from the country. The decline in the share of direct bank intermediation in international capital flows reflects the so-called securitization in international financial markets, a trend with enduring implications for the role of banks in international finance. Widespread deregulation and liberalization of domestic and international financial markets, together with rapid innovations in financial instruments and techniques, have already resulted in much greater integration between domestic and international money and capital markets and between various sectors of the international market. The boundaries between bank credit and bond markets have become increasingly blurred. The competitiveness of banks as direct intermediators has diminished. As a consequence, for some kinds of international financing, traditional lending and deposit taking by banks will increasingly be supplanted by the issuance and acquisition of marketable paper by nonbanks. Banks will operate more as arrangers of off-balance sheet, security-related transactions. This is already happening with industrial-country borrowers with good credit standing. It also is becoming more common for some of the better-rated developing-country borrowers, which potentially opens up new sources of finance for them.

One consequence of these developments is that the monitoring of international bank lending will be more difficult, at least for a while, because statistical reporting arrangements have lagged changes in market practices. More important, these developments have increased the efficiency of financial markets in mobilizing and allocating savings worldwide. Of course, the growing integration of financial markets has generated some problems. For example, the impact of policy changes in one country is more rapidly and widely transmitted to other countries. Rapid shifts in capital flows, which have been facilitated by liberalization and deregulation, may lead to greater exchange rate volatility. The effectiveness of various national monetary policy instruments and operating procedures has been blunted. Attempting to re-regulate financial markets and impose controls on capital flows, which would be tantamount to turning back the clock, would not be the best way to deal with the problem. This would be both impractical and undesirable. Far better would be to seek other solutions, ranging from improving the transparency of international financial transactions to strengthening International Monetary

Fund (IMF) surveillance over member countries, leading to greater harmony of national policies and performance among the major industrial countries.

Statistical issues

In recent years, the quantity and quality of statistics on international bank lending have improved substantially, although their timeliness still leaves something to be desired. Particularly notable has been the broadening of the coverage of international banking statistics compiled and published by the Bank for International Settlements (BIS) and by the IMF. These statistics now encompass banks located in nearly all industrial countries as well as in the major offshore market centers, and provide an extensive breakdown by country, bank/nonbank entity, and, to a lesser degree, currency. Most of the data are on an unconsolidated basis, although officials in an increasing number of countries are requiring banks to report their international business on a consolidated balance sheet basis. So far only the United States and the United Kingdom regularly publish such statistics, although Germany recently published consolidated figures for the end of 1984. Missing are similar data for Japanese banks, which have become large international lenders.

Despite these improvements, there are still a number of difficulties in analyzing published data on intertional bank lending. Changes in the outstanding dollar amounts of banks' international claims from one reporting date to another are affected both by net credit flows between the reporting dates and by changes in the dollar value of existing claims denominated in other currencies. With large movements in dollar exchange rates in recent years these valuation effects have been sizable. The BIS is able to estimate the effects of exchange rate changes, and provides a considerable amount of valuation-adjusted data. Whenever possible this article uses such valuation-adjusted data in analyzing net flows of international bank credit.

Another difficulty in interpreting international banking statistics is that while coverage has improved in terms of the range of reporting banks, it is incomplete because banks in several countries do not report foreign security holdings as part of their claims for statistical reporting purposes. This is beginning to result in an underreporting of bank lending to some countries. Such underreporting could become even more significant as borrowers increasingly issue international bonds and notes, including floating rate notes (FRNs), to meet part of their financing needs as well as to repay existing banks loans, and as banks purchase sizable portions of certain issues.

Most international banking statistics are based on the country of residence of the banking office making the loan and the country of residence of the borrowing entity. While residency-basis data are useful for measuring balance of payments flows, they do not permit identification of the nationality of ownership of the bank making the loan or the country where the ultimate credit risk resides. For example, credit risk can be transferred from the country where the borrowing entity is located by a guarantee from a third party in another country or by virtue of the fact that the borrowing entity is a branch of a parent located in another country. Still another difficulty in interpreting international banking statistics arises from some of the innovations in credit extension which, under current reporting arrangements, cloud the identity of the ultimate sources and uses of

Table 1

International bank lending[1]

	Changes in outstanding claims[2]				*Outstanding claims at end-1984*
	1983		*1984*		
	$ billions	*%*	*$ billions*	*%*	*$ billions*
All banks[3]	170	6.8	190	7.2	2,749
Cross-border lending	108	5.3	130	6.2	2,176
Domestic lending[4]	62	12.3	60	11.0	573
U.S. banks[5]	4	1.1	—34	—9.5	323
Non-U.S. banks[6]	166	7.6	224	9.8	2,426
Memorandum:[7]					
BIS-reporting banks	130	6.0	151	5.9	2,613
Cross-border lending	105	6.2	126	6.0	2,153
Domestic lending[4]	25	5.9	25	5.6	460

[1]Cross-border lending in all currencies plus foreign currency lending to residents. Based on unconsolidated data. Compiled by the Morgan Bank from various published sources.
[2]Changes are adjusted for the valuation effects of exchange rate movements.
[3]Bank offices in most industrial countries (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Norway, Spain, Sweden, Switzerland, United Kingdom, and the United States) and in the major offshore market centers (Bahamas, Bahrain, Cayman Islands, Hong Kong, Netherlands Antilles, Panama, and Singapore).
[4]In foreign currency.
[5]Data for U.S. banks are on a consolidated basis and therefore not strictly comparable with the data for all banks.
[6]Data for non-U.S. banks are derived by subtracting the figures for U.S. banks from the totals for all banks.
[7]Differences between figures compiled by the Morgan Bank and those published by the BIS are explained in footnote * .

funds and alter the interest rate and currency characteristics of the initial transaction.

Lending slowdown

Gross international lending, as measured by valuation-adjusted changes in the international assets (cross-border claims in foreign and domestic currencies and domestic claims in foreign currencies) on the balance sheets of banks located in most industrial countries and offshore market centers, increased by about $190 billion, or 7.2%, during 1984 to $2.75 trillion at year-end (see Table 1, and appendix table on p. 13).* This represented a slight pickup from the previous year's increase of $170 billion, or 6.8%, but was well below growth of approximately $430 billion (22.7%) and $290 billion (12.8%) in 1981 and 1982, respectively. Gross cross-border lending alone increased by about $110 billion (5.3%) in 1983 and $130 billion (6.2%) in 1984.

The slowdown in international bank lending has been led by U.S. banks. Their total cross-border and foreign office non-local-currency claims, on a consolidated balance sheet basis, declined by $34 billion, or 9.5%, last year, following a flattening out in 1983. Comparable data on a consolidated basis are not available for all non-U.S. banks, but judging from unconsolidated data, non-U.S. banks accounted for all the growth in international bank lending in 1983-84. Indeed, a special study of international banking activity by nationality of bank ownership released earlier this year by the BIS indicated that Japanese banks were responsible for all last year's growth in international lending. The total international claims of all banks in the narrower reporting area covered by this special study (not adjusted for valuation effects) increased by $48 billion, or 2.2%, in 1984, while those of Japanese banks alone rose by $63 billion, or 14% (see Table 2). Banks of other nationalities reporting increases in their international assets last year included Italian banks, up $8.1 billion, or 10.1%, and French banks, up $6.8 billion, or 3.6%. Sizable declines were registered by U.S. banks, down $16.5 billion, or 2.6%, as well as by British and Dutch banks. A similar pattern is evident if interoffice claims (claims between offices or affiliates

*These figures differ somewhat from those published regularly by the Bank for International Settlements (BIS). The main differences are that Morgan's figures include and the BIS' exclude foreign currency lending to residents by banks located in offshore market center countries, and Morgan's figures treat the International Banking Facilities (IBFs) of banks in the United States as separate units engaged in Eurocurrency banking whereas the BIS treats them as an integral part of their parent institution in the United States, conducting cross-border lending largely in the domestic currency. There is also a significant break in the BIS series at the end of 1983 when the coverage of BIS data for the offshore market centers was broadened to correspond more closely to that of Morgan's figures. For comparison purposes the data for BIS-reporting banks are shown as a memo item in Table 1. The BIS data, however, are used later in this article in discussing international bank lending to particular regions or countries.

Table 2

International bank lending[1]

by nationality of bank ownership

Parent country of bank	Claims at end-1984				Changes during 1984[2]			
	Total		Total, net of interoffice		Total		Total, net of interoffice	
	$ billions	% of total	$ billions	% of total	$ billions	%	$ billions	%
United States	614.5	28.1	372.6	22.3	—16.5	—2.6	—24.2	—6.1
Japan	513.7	23.5	377.5	22.6	63.0	14.0	46.5	14.0
France	197.1	9.0	172.9	10.4	6.8	3.6	7.6	4.0
United Kingdom	161.4	7.4	141.8	8.5	—9.5	—5.6	—10.2	—7.2
Germany	142.1	6.5	131.0	7.9	—1.8	—1.3	—2.4	—1.8
Canada	88.9	4.1	67.9	4.1	—0.4	—0.4	1.0	1.5
Italy	88.2	4.0	85.3	5.1	8.1	10.1	7.5	9.6
Switzerland	75.3	3.4	63.6	3.8	—1.5	—2.0	—0.2	—0.3
Netherlands	56.1	2.6	50.0	3.0	—6.2	—10.0	—7.0	—12.3
Belgium	38.5	1.8	36.4	2.2	0.4	1.0	0.3	0.8
Others	207.2	9.5	168.7	10.1	4.3	2.1	3.0	1.7
Total	2183.0	100.0	1667.7	100.0	46.7	2.2	20.9	1.3

[1]Includes cross-border assets in all currencies plus foreign currency assets vis-à-vis local residents, of banking offices in 14 industrial countries. For U.S. banks also includes cross-border assets of their branches in five offshore market centers. This reporting area is narrower than that used for measuring total international bank lending. The figures for U.S. banks include U.S. subsidiaries of foreign banks, which results in an overstatement of U.S.-owned banks' total claims and market shares. The figures for non-U.S. banks do not include their affiliates in offshore market centers, which results in an understatement of their total claims and market shares.
[2]Not adjusted for the valuation effects of exchange rate movements.
Source: BIS.

of the same parent bank) are netted out to approximate consolidated balance sheet reporting (see Table 2).

Interbank activity

The slower pace of banks' international lending in the past two years has encompassed both interbank activity and lending to nonbanks. Interbank claims constitute by far the largest portion of international banking assets, accounting for close to 70% of the total at the end of 1984. About one-third of these interbank assets consists of interoffice claims, and two-thirds are claims on unaffiliated banks. Even on a narrower definition of the interbank market, namely, claims of reporting banks on one another but excluding their claims on banks outside the designated market area, it still represented over 60% of total international banking assets.

The interbank market, broadly defined, grew by a little more than 4% between end-1983 and end-1984, only slightly faster than gross international assets of banks on an unadjusted basis (3.7%). A similar rate of expansion occurred during 1983, which represented a sharp slowing from the pace registered earlier in the 1980s.

Several factors have contributed to the slowdown in the growth of interbank assets. First, international bank lending to final borrowers, especially in developing countries but also in many industrial nations, has decelerated. Second, sensitivities to the risks entailed in interbank depositing have increased. Standards appear to have tightened as a result of the deterioration in asset quality and the losses experienced by certain banks in the past few years. Increased awareness that certain developing countries, through their banks, had drawn heavily on short-term interbank deposits for balance of payments financing also had a dampening influence. Third, pressures to increase capital-asset ratios have led some banks to limit their interbank activity in order to hold down overall asset levels. A closely related consideration that has constrained interbank depositing, which is generally conducted on narrow margins, has been banks' desires to improve returns on their assets. Finally, banks are making greater use of other instruments, such as futures and options, instead of interbank deposits for managing interest and exchange rate exposures.

Bank lending to LDCs

Last year banks further slowed their lending to developing countries. BIS-reporting banks' outstanding claims on all LDCs, except those that are offshore market centers, rose by less than $9 billion, or about 2%,

Table 3

International bank lending to developing countries[1]

		Changes in outstanding claims[2] 1983 $ billions	1983 %	1984 $ billions	1984 %	Outstanding claims at end-1984 $ billions
Latin America:	*All banks*	7.6	(3.9)	1.6	(0.7)	242.6
	U.S. banks	0.2	(0.2)	2.1	(2.5)	86.2
	Non-U.S. banks	7.4	(6.6)	—0.5	(—0.3)	156.4
Argentina:	*All banks*	0.5	(2.2)	—1.0	(—3.7)	25.9
	U.S. banks	—0.3	(—3.0)	—0.4	(—4.8)	8.4
	Non-U.S. banks	0.8	(5.9)	—0.6	(—3.3)	17.5
Brazil:	*All banks*	1.5	(2.7)	4.7	(6.5)	75.8
	U.S. banks	—0.4	(—1.6)	3.2	(14.9)	24.8
	Non-U.S. banks	1.9	(5.6)	1.5	(3.0)	51.0
Mexico:	*All banks*	4.1	(7.0)	0.7	(1.0)	72.8
	U.S. banks	1.1	(4.7)	0.4	(1.4)	25.8
	Non-U.S. banks	3.0	(8.6)	0.3	(0.6)	47.0
Venezuela:	*All banks*	—0.7	(—3.1)	—1.7	(—6.1)	26.2
	U.S. banks	—0.3	(—2.9)	—0.3	(—3.1)	10.6
	Non-U.S. banks	—0.4	(—3.5)	—1.4	(—8.2)	15.6
Asia:	*All banks*	4.4	(8.3)	5.2	(5.5)	98.4
	U.S. banks	1.0	(3.0)	—3.5	(—10.5)	29.9
	Non-U.S. banks	3.4	(16.6)	8.7	(14.2)	68.5
Korea:	*All banks*	0.7	(3.8)	1.8	(6.1)	30.8
	U.S. banks	0.0	(0.2)	—1.5	(—12.0)	10.9
	Non-U.S. banks	0.7	(10.8)	3.3	(19.5)	19.9
Middle East and Africa:	*All banks*	6.5	(8.6)	1.9	(2.0)	93.9
	U.S. banks	0.8	(5.2)	—2.5	(—15.6)	14.7
	Non-U.S. banks	5.7	(9.4)	4.4	(5.5)	79.2
All LDCs:	*All banks*	21.5	(6.6)	8.5	(2.0)	434.9
	U.S. banks	2.0	(1.5)	—3.9	(—2.9)	129.8
	Non-U.S. banks	19.5	(10.0)	12.6	(4.2)	305.1

[1]Lending by BIS-reporting banks to developing countries that are not offshore market centers.
[2]Adjusted for the valuation effects of exchange rate movements. Data for all banks and non-U.S. banks are affected by an enlargement of the BIS-reporting area at end-1983.
Source: BIS and Bank of England.

versus nearly $22 billion, or 6.6%, in 1983 (see Table 3). The 1984 increase was considerably below the 5%-7% increase that had been widely viewed as desirable a year or two ago. U.S. banks reduced their outstanding claims on LDCs by nearly $4 billion, or almost 3%, in 1984, implying about a 4% increase in non-U.S. banks' lending to those countries.

While U.S. banks' outstanding claims on all LDCs fell last year, their loans to Latin American countries rose by $2 billion, or 2.5%, which more than accounted for the $1.4 billion increase in all banks' claims on the region, suggesting that non-U.S. banks reduced their loans to Latin America. The $1.4 billion was considerably less than the amounts disbursed under new money packages arranged in conjunction with IMF-supported adjustment programs and debt reschedulings. Whereas $6 billion in new money was disbursed to Brazil during 1984, banks' outstanding claims rose only a net $4.7 billion. Similarly, Mexico received $3 billion in new money last year, but banks' claims increased by only a net $0.7 billion. The differences can be explained, at least in part, by the fact that there were repayments of some external debt, mostly private sector, held by banks, as well as by the likelihood that some loans were charged off as losses or transferred to official export credit agencies that had insured or guaranteed the credits, thereby removing them from bank balance sheets. Similar factors, plus possibly some reductions in trade credit and/or interbank lines, accounted for declines in banks' outstanding claims on Argentina, Peru, and Venezuela, none of which received new money from banks during 1984.

BIS-reporting banks' claims on Asian LDCs rose by about $5 billion, or 5.5%, during 1984, only slightly less than the previous year's increase. U.S. banks, however, cut their outstandings to those countries by $3.5 billion or more than 10%, implying a 14% increase in lending to the region by non-U.S. banks, probably led by Japanese banks. Korea ($1.8 billion), China ($1.4 billion), Indonesia ($1 billion), India ($0.8 billion), and Thailand ($0.8 billion) accounted for all the net increase in bank loans to the area last year. Taiwan, which ran a large current account surplus, reduced its debt to foreign banks by about $850

Table 4

International bank claims on selected debtor countries at end-1984

based on residence of borrower, in billions of dollars
figures in parentheses are percent of BIS-reporting banks

	BIS-reporting banks	Of which U.S. banks	U.K. banks	German banks	Other banks
Argentina	26	8.0 (31)	3.4 (13)	2.4 (9)	12.2 (47)
Brazil	76	23.9 (32)	9.3 (12)	4.8 (6)	37.7 (50)
Chile	14	6.7 (49)	2.1 (15)	0.8 (6)	4.0 (30)
Colombia	7	3.0 (43)	0.8 (11)	0.3 (5)	2.9 (42)
Ecuador	5	2.1 (45)	0.7 (15)	0.3 (6)	1.6 (34)
Mexico	73	26.5 (37)	8.8 (12)	3.5 (5)	34.0 (47)
Peru	6	2.4 (41)	0.7 (12)	0.3 (6)	2.4 (42)
Venezuela	26	10.8 (41)	2.8 (11)	1.9 (7)	10.7 (41)
Subtotal	232	83.4 (36)	28.6 (12)	14.3 (6)	105.5 (46)
Indonesia	14	3.4 (24)	1.5 (11)	1.9 (13)	7.4 (52)
Korea	31	10.0 (32)	2.8 (9)	1.0 (3)	17.1 (56)
Malaysia	11	1.7 (16)	1.7 (15)	0.6 (5)	7.2 (65)
Philippines	14	5.5 (40)	1.7 (12)	0.5 (4)	6.0 (44)
Taiwan	6	2.8 (48)	0.5 (9)	0.5 (8)	2.1 (35)
Thailand	7	2.2 (30)	0.4 (6)	0.4 (6)	4.4 (59)
Subtotal	83	25.6 (31)	8.5 (10)	4.9 (6)	44.2 (53)
Algeria	8	1.0 (13)	0.7 (8)	0.8 (10)	5.6 (70)
Egypt	7	1.3 (18)	0.8 (11)	1.0 (14)	4.0 (57)
Israel	6	2.1 (33)	0.5 (7)	1.6 (26)	2.1 (34)
Morocco	4	0.9 (20)	0.4 (8)	0.5 (10)	2.7 (60)
Nigeria	8	1.5 (19)	2.4 (29)	1.5 (18)	2.7 (33)
Turkey	5	2.1 (40)	0.4 (8)	1.7 (33)	1.0 (20)
Subtotal	39	8.8 (23)	5.0 (13)	7.1 (18)	18.0 (46)
Hungary	7	0.8 (11)	0.8 (12)	1.1 (16)	4.1 (61)
Poland	9	0.7 (8)	1.2 (13)	2.3 (26)	4.9 (54)
Romania	4	0.2 (5)	0.6 (16)	0.3 (9)	2.7 (70)
Soviet Union	16	0.1 (1)	2.3 (14)	3.2 (20)	10.8 (66)
Yugoslavia	10	2.4 (25)	1.7 (18)	1.6 (17)	4.0 (42)
Subtotal	46	4.2 (9)	6.6 (15)	8.5 (19)	26.4 (58)
25 countries	400	121.9 (31)	48.7 (12)	34.9 (9)	194.0 (49)
Other developing and East European countries	99	14.8 (15)	10.8 (11)	7.8 (8)	65.2 (66)
Total	498	136.7 (27)	59.6 (12)	42.7 (9)	259.2 (52)

Source: BIS, Federal Reserve Board, Bank of England, and Deutsche Bundesbank.

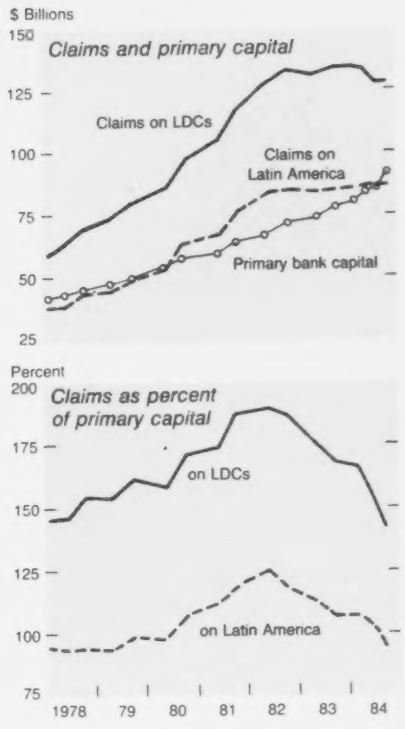
million. While only the Philippines among major Asian borrowers has experienced debt-servicing difficulties, some U.S. banks apparently have adopted a more cautious attitude toward the region. Moreover, borrowing needs have diminished as a consequence of relatively rigorous adjustment policies pursued by a number of Asian LDCs. Several countries in the area, notably Korea, Malaysia, India, and Thailand, also have turned increasingly to the issuance of securities, especially FRNs, for part of their financing needs. As noted earlier, these are not fully reflected in bank claims data, even though banks may have purchased sizable portions — up to three-quarters in some cases — of such issues.

Bank lending to developing countries in the Middle East and Africa decelerated sharply in 1984, with actual declines occurring in outstandings to Israel, Nigeria, and some Middle East oil exporters. U.S. banks reduced their claims on developing countries in this area by $2.5 billion, or more than 15%, last year.

Partial data suggest that the pace of bank lending to developing countries remains very modest this year. For example, gross new publicized medium- and long-term bank credit commitments to developing countries completed during the first six months of 1985 amounted to only $7.5 billion, or $15 billion at an annual rate, compared with $29 billion completed during calendar 1984. Part of this drop is attributable to the lower volume of new money loans arranged for troubled debtor countries so far this year. However, new voluntary lending commitments also have decreased, and none of these has been to countries that have experienced debt-servicing difficulties since 1982. While there have been reports of some voluntary lending to several troubled debtor countries in the form of short-term trade financing, there is no evidence of a resumption of *net* voluntary lending last year to those countries for which complete figures are available. Data for the first quarter of 1985 reported by banks in the United States, United Kingdom, and Germany show a decline in outstandings to problem countries.

To date only two countries — the United States and the United Kingdom — have regularly published details on the geographic distribution of international claims of their do-

Chart 1
All U.S. banks



mestically based banks on a consolidated balance sheet basis. However, selected details as of end-1984 for German-based banks on a consolidated basis were recently disclosed for the first time.

Table 4 shows these data for 25 major developing countries and Eastern European borrowers as of December 1984, giving both outstanding amounts for U.S., U.K., and German banks as well as their respective shares of all BIS-reporting banks' claims on those countries. For comparison purposes, these data are shown on the basis of residence of the borrower and are not adjusted to reflect guarantees and other risk transfers. While U.S. banks accounted for approximately 30% of the outstanding claims on these 25 major borrowers, their share was 36% for the eight Latin American countries combined, but only 23% for the six Middle East and African countries and less than 10% in the Eastern European subgroup. U.K. banks accounted for just over 12% of all banks' claims on the 25 countries, and their shares of the regional subgroups did not deviate much from this overall figure. German banks' accounted for less than 9% of all BIS-reporting banks' claims on the 25 countries, ranging from 6% shares for the Latin American and Asia subgroups to over 18% shares for the Middle East and African and Eastern European groups.

U.S. banks' ratios improve

The slowdown in U.S. banks' lending to LDCs since late 1982, combined with a substantial buildup in their primary capital (which includes loan loss reserves), has resulted in sizable declines in U.S. banks' LDC exposures relative to their capital. By the end of 1984, the cross-border and foreign office non-local-currency claims of U.S. banks on developing countries, adjusted for guarantees and other risk transfers, had declined to 141% of their primary capital from a peak of 186% at the end of 1982 (see Chart 1). The ratio of claims on Latin American countries (approximately two-thirds of U.S. banks' outstandings to all LDCs) to capital had dropped to 93% by the end of 1984 from a 1982 peak of about 120%. Both ratios had thus fallen to or below levels prevailing in 1977-78, the first years for which such data are available. Similar patterns have occurred for the nine largest U.S. money center banks, which account for over 60% of all U.S. banks' claims on developing countries, with their loan-to-capital ratios having fallen from 288% at end-1982 to 224% at end-1984 for all LDCs and from 177% to 146% for Latin American countries (see Chart 2). Each of the largest money center banks has reduced its loan-to-capital ratios with respect to most of the largest individual LDC debtors during the past year or so. For example, between the end of 1983 and the end of 1984 the five largest U.S. money center banks reduced their combined loan-to-capital ratios for Brazil from nearly 56% to less than 49%, and for Mexico from 42% to 35%.

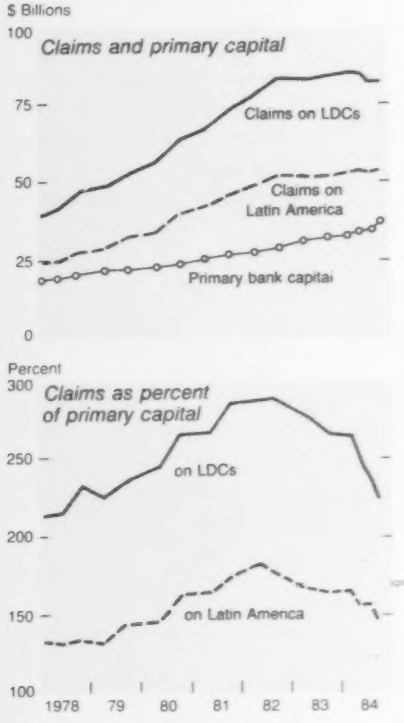
If U.S. banks' primary capital continues to grow during the remainder of the 1980s at the same average rates recorded in the past five years — 13% per annum for all reporting banks and 12% per annum for the nine money center banks — and the growth of their LDC exposures is limited to 4% annually, LDC loan-to-capital ratios would drop to 93% for all banks and 155% for the nine money center banks by the end of the decade.

The changing role of banks

The role of banks as international financial intermediaries has been

Chart 2

Nine largest U.S. money center banks



changing rapidly as some of the traditional forms of international bank lending have been replaced by the issuance of securities and other marketable paper. The securitization of international financial markets accelerated last year and is continuing unabated in 1985. This is dramatically illustrated by the rapid expansion of gross new issue volume in the international bond market, and the reduction in the gross amount of new medium-term bank credit commitments in the form of syndicated loans (see Table 5). Last year the amount raised via new international bond issues, including FRNs, was more than double the amount raised through voluntary syndicated bank term loans, and more than three times greater in the first six months of 1985. Proceeds of some of these bond issues have been used to repay outstanding bank loans in advance of maturity. Moreover, a growing share of new international bank credit commitments is in relatively newer forms (note issuance facilities, revolving underwriting facilities, etc.) that back up the issuance of other financial instruments and as contingent commitments are not reported directly on the balance sheets of banks unless activated by actual borrowings.

Banks have been among the major issuers of international bonds to secure longer-term funding and to augment their capital resources. Banks also have evidenced a growing preference for acquiring marketable paper which is more liquid than ordinary loans, thereby increasing their portfolio management flexibility. On balance, however, securitization has tended to diminish the role of banks as direct intermediaries of international financial flows. This is illustrated by an examination of net bank-intermediated capital flows in the context of total net capital flows for the United States and Japan in recent years.

As Table 6 shows, net bank-intermediated flows have been a major factor in the changes in total U.S. capital flows since 1982. Whereas in 1982 banks in the United States increased their net foreign assets by $42 billion, last year they reduced their net assets by $15 billion for a swing of $57 billion. Likewise, whereas U.S. non-bank entities increased their deposits in banks abroad by nearly $18 billion and marginally reduced their borrowing from foreign banks in 1982, last year they withdrew deposits from abroad and increased their borrowings from foreign banks for net inflows of more than $13 billion. Thus, the combined net bank-intermediated U.S. capital flows swung from net outflows of nearly $60 billion in 1982 to net inflows of $5 billion in 1983 and more than $28 billion in 1984. This net swing of $88 billion between 1982 and 1984 was nearly as large as the increase in the U.S. current account deficit from $9 billion to $102 billion. Yet, in absolute terms last year's net inflows intermediated by banks, at $28 billion, were equivalent to only

Table 5

New international bond issues and bank credit commitments

publicly announced, medium- and long-term billions of dollars

	1981	1982	1983	1984	Jan-Jun 1985
International bond issues	52.8	75.5	77.1	111.5	80.1
Floating rate notes and CDs	11.3	15.3	19.5	38.2	32.1
Fixed rate instruments	41.5	60.2	57.6	73.3	48.0
International bank credits	147.7	103.6	80.7	117.3	44.2
Syndicated loans	94.6	98.2	67.2	62.0	25.5
Involuntary new money loans	—	—	14.3	11.3	1.0
Voluntary loans	94.6	98.2	52.9	50.7	24.5
Other international credit facilities	53.1	5.4	13.5	55.3	18.7
Merger-related standbys	39.1	--	4.0	28.0	—
Other facilities[1]	14.0	5.4	9.5	27.3	18.7

[1]Facilities extended by banks to back up the issuance of other financial instruments such as short-term Euronotes, certificates of deposit, bankers acceptances, and commercial paper.

Source: OECD.

Table 6

U.S. net capital flows

billions of dollars
negative sign denotes outflow

	1982	1983	1984
Net flows intermediated by banks	—59.7	5.2	28.4
By banks in U.S.[1]	—41.6	20.6	15.1
Changes in foreign assets	—107.0	—31.4	—10.8
Changes in liabilities to foreigners	65.4	52.0	25.9
By banks abroad[2]	—18.1	—15.4	13.3
Changes in U.S. nonbanks' deposits	—17.7	—16.7	3.5
Changes in U.S. nonbanks' borrowings	—0.4	1.3	9.8
Other net capital flows	68.9	36.4	73.3
Total net capital flows[3]	9.2	41.6	101.7

[1]For own account.
[2]BIS-reporting banks.
[3]Total net capital flows include errors and omissions. Equals current account balance with sign reversed.

Table 7

Japanese net capital flows

billions of dollars
negative sign denotes outflow

	1982	1983	1984
Net flows intermediated by banks	—8.3	—11.1	—0.6
By banks in Japan[1]	—7.2	—11.1	1.8
Changes in foreign assets	—8.0	—18.6	—22.0
Changes in liabilities to foreigners	0.8	7.5	23.8
By banks abroad[2]	—1.1	0.0	—2.4
Changes in Japanese nonbanks' deposits	—0.1	—0.1	—0.7
Changes in Japanese nonbanks' borrowings	—1.0	0.1	—1.7
Other net capital flows	—1.4	—9.7	—34.6
Total net capital flows[3]	—6.9	—20.8	—35.0

[1]Excludes foreign securities purchased, and securities issued abroad, by banks in Japan.
[2]BIS-reporting banks.
[3]Total net capital flows include errors and omissions. Equals current account balance with sign reversed.

about one-quarter of total net U.S. capital inflows (including errors and omissions), with securities transactions accounting for a much larger portion. Preliminary data for the first quarter of 1985 indicate that there were net inflows of more than $9.5 billion by banks in the United States for their own account, still only about one-third of total net U.S. capital inflows during the period. Complete first quarter data on U.S. nonbanks are not yet available.

The role of bank-intermediated transactions in Japanese net capital exports is shown in Table 7. The surprising fact is that while they were relatively important in 1982 and 1983, last year when Japan's current account surplus climbed to $35 billion they accounted for only a small fraction of Japan's overall net capital outflows. Banks in Japan increased their liabilities to foreigners by more than they added to their foreign assets, although apparently Japanese banks' net purchases of foreign securities, which amounted to an estimated $6 billion in 1984, are not fully included in the banking statistics. Nonbanking entities resident in Japan have very few deposits in foreign banks, and have been repaying their borrowings from banks abroad. Thus, combined net capital outflows recorded as having been intermediated by banks declined to less than $1 billion last year, from $8 billion in 1982, a negative swing of $7 billion, whereas Japan's current account surplus increased by $28 billion over this period. Securities transactions have become predominant in Japan's net capital exports.

A variety of factors has contributed to the trend toward greater securitization of international capital flows and away from direct bank intermediation. The acceleration of this trend in 1984 and again this year can be partly explained by conditions that have been favorable to the issuance of bonds, particularly declining inflation expectations and interest rates since mid-1984. The market for FRNs has been boosted by heavy purchases by Japanese banks. Their acquisitions of FRNs were not subject to the participation limits and term funding requirements that applied to their syndicated term loans. Another factor has been the rapidly growing use of new instruments and financing techniques. Currency and interest rate swaps, for example, have enabled borrowers to gain access to a wider range of capital markets and to lower their cost of funds by taking advantage of differing investor perceptions of individual borrowers and instruments in these markets, while at the same time satisfying their own currency and interest rate preferences.

Deregulation and liberalization of financial markets, both domestic and international, have also promoted increased securitization, partly by intensifying competition among financial institutions and partly by widening the range of alternatives for borrowers and investors. During the 1980s a number of industrial countries have eased or abolished exchange controls. The steady liberalization of Japanese financial markets, particularly the increased access by issuers to the domestic and Euroyen bond markets and increased opportunities for purchases of foreign securities by a widening spectrum of Japanese investors, has been an important development. The abolition of withholding taxes by the United States in July 1984, and subsequent removal of withholding taxes by Germany and France, also contributed to international security issuance and investment. Earlier this year, French authorities also reopened the Euro-French franc bond market, and Germany eased the guidelines for issuing international DM bonds and allowed the use of

several additional instruments such as floating rate notes and zero coupon bonds.

Another important factor contributing to the securitization trend is the reduced profitability and competitiveness of direct bank intermediation. The spate of loan problems and operating losses experienced by a number of banking organizations has undoubtedly changed perceptions of the relative quality of bank-issued liabilities. This has caused some nonbank suppliers of funds to shift part of their assets from bank deposits toward obligations issued by highly rated sovereign and corporate borrowers, and made it possible for such borrowers to raise funds more cheaply by going directly to money and capital markets than by borrowing from banks. Indeed, some of these borrowers are able to raise funds more cheaply than banks. The resultant pressure on bank lending spreads, together with higher capital adequacy requirements, has reduced the profitability of direct bank intermediation for certain kinds of business.

Shifts in the sources and destinations of net international capital flows also have tended to reduce the relative role of directly intermediated bank flows and to enhance that of securities flows. Among the most important was the disappearance of the OPEC current account surplus in the early 1980s, with the underlying preference of OPEC investors for bank deposits, and the emergence of large surpluses in Japan and several European countries, where investors, especially institutions, place relatively more emphasis on marketable securities than do OPEC investors. Likewise, the deficits of many developing countries, which have typically relied heavily on borrowing from banks, have contracted as a result of adjustment efforts and the lessened willingness of banks to finance those deficits, while the current account deficit of the United States, where many borrowers are able to raise funds by issuing securities that are highly regarded in the world's capital markets, has widened dramatically.

Many of these forces, particularly the deregulation and liberalization of financial markets, the diminished profitability of certain kinds of direct bank intermediation, and the ongoing innovation in financial instruments and techniques, are likely to have an enduring impact on the role of banks in international financial markets and capital flows. Banks will still be major participants, but increasingly as arrangers of financing involving the issuance of marketable paper rather than as makers of traditional, on-balance-sheet loans.

Statistical appendix

For key to data in tables see June 1985 issue.

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1980	90.7	100.4	95.5	96.0	106.5	100.0	108.4	99.8	99.4	105.9	100.2	106.5	95.4	105.1	98.2	103.9
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.8	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	86.7	88.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1984																
July	124.2	95.4	110.8	90.3	84.6	107.7	87.3	87.7	104.1	89.3	104.0	77.3	107.9	93.7	97.4	84.4
August	124.0	97.0	111.4	91.9	84.3	107.3	86.6	87.9	103.8	89.3	103.8	76.6	108.8	93.6	97.1	84.6
September	127.3	96.7	112.0	92.1	83.6	106.2	85.9	87.1	103.2	88.9	103.1	76.9	109.3	93.2	96.9	85.6
October	126.5	96.6	112.0	93.6	83.7	106.3	85.7	85.3	103.2	88.7	103.2	77.0	109.8	93.4	97.1	85.6
November	126.8	96.5	112.5	95.0	84.0	106.7	85.6	85.2	103.4	89.3	103.5	77.4	110.2	94.2	95.5	85.1
December	129.5	96.7	112.0	94.8	83.6	106.1	86.0	83.7	103.2	89.3	103.0	77.8	109.5	94.5	95.5	85.0
1985																
January	132.0	96.9	110.5	93.8	83.7	106.2	86.3	81.0	103.4	89.9	103.0	78.1	107.8	95.0	95.7	85.0
February	136.4	95.3	110.0	86.8	83.5	105.8	85.4	81.4	103.3	89.3	102.5	77.6	105.9	94.4	95.8	85.5
March	136.9	93.2	111.3	81.5	83.7	105.9	83.7	84.0	103.0	89.0	102.5	77.2	105.8	94.3	95.7	84.6
April	131.7	93.6	111.5	74.2	84.5	106.7	83.0	88.1	103.8	89.2	102.9	77.5	108.0	94.5	96.0	83.6
May	132.0	92.9	111.5	76.3	84.4	106.5	82.9	89.2	103.5	89.0	102.9	76.5	107.4	93.7	96.0	83.8
June	130.4	93.2	112.1	74.3	84.5	106.5	83.0	90.5	103.5	88.9	103.1	75.8	107.7	94.2	95.8	83.8
May 24	130.9	93.0	111.3	77.3	84.4	106.6	82.5	89.7	103.8	89.0	102.9	76.8	107.5	94.4	96.0	83.8
31	131.5	92.6	111.3	74.7	84.5	106.6	82.8	90.2	103.1	88.9	103.1	76.1	107.5	93.8	95.8	83.6
June 7	130.6	93.1	112.1	74.1	84.5	106.6	83.0	89.9	103.8	89.1	103.1	76.2	107.5	94.4	96.0	83.8
14	131.1	93.1	112.1	74.8	84.4	106.4	83.3	90.0	103.5	88.8	103.0	75.5	107.3	94.2	95.9	83.8
21	130.1	93.2	112.3	74.3	84.6	106.7	82.8	90.8	103.4	88.8	103.1	75.5	108.0	94.1	95.6	83.8
28	130.0	93.4	112.0	74.2	84.5	106.5	83.0	91.2	103.2	88.8	103.0	75.4	108.1	94.0	95.6	83.9
July 5	129.2	93.7	112.0	74.0	84.6	106.5	83.0	91.9	103.3	88.9	103.0	75.4	107.9	94.0	95.6	83.9

Real effective exchange rates — industrial countries

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1980	89.4	99.6	103.0	93.0	102.1	103.5	103.5	99.9	100.2	107.5	99.9	100.9	98.7	103.5	96.6	101.2
1981	100.6	100.0	104.6	102.7	100.1	97.3	98.7	102.3	99.1	100.3	97.6	99.4	98.7	99.2	100.9	102.1
1982	109.9	100.4	92.3	104.3	97.8	99.2	97.8	97.9	100.7	92.3	102.5	99.8	102.6	97.3	102.5	96.7
1983	112.7	103.1	96.6	100.0	96.1	99.3	100.1	92.0	101.7	92.0	101.8	90.6	104.4	98.8	101.3	91.5
1984	118.2	101.2	97.6	105.1	96.8	96.5	101.1	89.3	102.7	90.9	100.1	95.0	99.4	96.5	100.1	96.9
1984																
July	120.0	99.5	95.4	101.1	97.9	96.6	101.7	89.0	103.0	90.8	100.3	95.1	96.7	95.3	99.1	97.0
August	119.5	101.2	96.0	103.3	97.2	96.1	101.5	89.4	103.0	91.3	99.9	94.3	97.3	95.8	98.5	97.8
September	121.5	101.4	96.8	103.7	96.3	95.2	101.0	88.3	102.0	90.8	99.2	95.6	97.9	97.2	99.5	98.9
October	123.6	100.4	96.0	105.0	96.5	95.2	100.8	86.8	101.8	90.6	98.8	96.0	98.8	96.6	100.1	99.1
November	122.0	100.4	96.2	106.4	97.0	95.3	101.2	86.9	102.5	91.7	98.7	96.9	98.7	98.0	98.3	98.3
December	123.9	101.1	95.7	106.6	98.0	94.5	101.4	85.4	102.3	91.2	98.0	97.6	98.0	98.1	98.0	98.7
1985																
January	126.2	101.4	94.1	105.4	97.0	94.9	102.6	83.1	102.3	92.1	97.4	98.6	96.4	97.8	97.4	99.4
February	129.7	100.0	93.5	97.4	97.1	94.6	101.6	83.9	102.0	91.5	96.4	98.5	95.0	96.3	98.1	100.2
March	129.8	98.0	94.1	91.5	97.3	94.2	100.8	86.6	101.6	91.2	95.9	98.1	95.6	97.5	98.4	99.7
April	125.2	98.2	93.7	83.3	98.3	94.8	100.5	91.3	102.4	91.5	95.9	98.9	96.4	98.3	98.5	98.6
May	125.2	97.7	93.5	85.7	98.3	94.6	101.0	92.2	101.9	91.4	95.5	98.2	96.0	97.7	98.3	99.4
June	123.5	98.1	93.6	83.5	98.5	94.5	101.9	93.8	101.8	91.3	95.2	97.6	96.3	98.5	98.3	99.8

Real effective exchange rates — developing countries

Index numbers, 1980-82 = 100

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1980	116.4	84.8	95.3	94.7	104.0	93.1	91.3	98.4	89.6	95.9	96.2	93.3	98.6	100.9	92.9	100.2
1981	107.7	103.2	106.1	100.4	114.1	103.2	99.6	99.4	99.6	101.2	99.3	101.2	102.7	102.6	99.3	104.4
1982	75.9	112.0	96.5	104.9	81.9	103.8	109.1	102.2	110.8	102.9	104.5	105.5	98.7	96.5	107.7	95.4
1983	71.2	85.6	88.8	104.0	78.0	97.7	116.1	96.6	95.7	97.3	112.7	95.1	97.1	93.1	119.5	92.8
1984	79.9	85.5	89.8	99.3	91.5	105.8	85.6	100.3	96.7	95.8	119.0	107.4	95.8	95.4	118.3	90.6
1984																
June	83.4	83.4	90.3	99.0	90.0	106.9	77.3	98.2	96.5	95.1	118.4	101.0	95.2	94.5	117.5	91.6
July	85.6	86.4	91.3	99.5	90.9	108.7	79.6	100.5	98.8	96.0	120.7	104.7	95.6	96.6	117.6	90.7
August	85.7	86.3	92.4	99.3	91.3	109.1	83.6	100.8	97.4	96.2	121.3	106.4	96.2	97.5	119.1	91.8
September	88.7	88.6	93.0	100.1	94.2	109.7	85.8	103.6	97.4	97.6	123.3	113.8	96.9	98.9	122.0	94.0
October	82.0	89.9	89.6	98.4	96.3	107.9	87.5	105.3	97.8	97.2	120.9	112.4	96.0	98.1	122.0	94.5
November	73.7	88.4	88.1	97.4	95.8	104.8	87.8	104.6	96.5	96.2	119.5	109.0	94.9	96.6	122.0	95.4
December	76.1	91.1	87.0	98.0	96.1	101.6	89.2	107.0	98.7	96.7	120.6	111.9	95.3	97.3	114.2	95.5
1985																
January	75.0	94.1	88.1	98.9	97.7	98.3	91.3	108.6	100.0	96.8	121.9	118.3	95.4	98.1	109.4	98.0
February	77.2	93.0	89.4	99.8	100.2	96.9	93.5	111.4	101.2	97.8	120.4	123.6	95.5	99.4	119.5	102.4
March	76.5	96.7	82.9	96.6	100.9	92.2	94.5	111.3	100.0	96.1	119.7	123.5	95.5	98.5	116.0	101.9
April	76.2	89.0	81.6	91.4	99.2	91.1	92.9	108.0	98.8	92.0	119.6	122.3	94.1	96.1	112.6	96.3
May	76.7	84.2	82.9	88.6	99.0	91.3	95.2	108.4	96.8	90.9	119.6	125.6	92.9	95.6	113.4	94.0

International banking market size

at end of period, billions of dollars

	1980	1981	1982	1983	1984			
				Dec	Mar	Jun	Sep	Dec
Gross claims								
Eurocurrencies, on residents and nonresidents	**1 563**	**1 929**	**2 146**	**2 253**	**2 339**	**2 330**	**2 322**	**2 352**
On nonbanks	431	557	634	665	685	679	676	684
On banks	1 132	1 372	1 512	1 588	1 654	1 651	1 646	1 668
In dollars	1 173	1 504	1 694	1 797	1 841	1 850	1 857	1 887
In other currencies	390	425	452	456	498	480	465	465
Domestic currencies, on nonresidents	**345**	**365**	**398**	**398**	**400**	**406**	**393**	**397**
On nonbanks	139	128	132	136	136	140	138	137
On banks	206	237	266	262	264	266	255	260
In dollars	173	188	211	217	206	218	208	210
In other currencies	172	177	187	181	194	188	185	187
Total	**1 908**	**2 294**	**2 544**	**2 651**	**2 739**	**2 736**	**2 715**	**2 749**
On nonbanks	570	685	766	801	821	819	814	821
On banks	1 338	1 609	1 778	850	1 918	1 917	1 901	1 928
In dollars	1 346	1 692	1 905	2 014	2 047	2 068	2 065	2 097
In other currencies	562	602	639	637	692	668	650	652
Gross liabilities								
Eurocurrencies, to residents and nonresidents	**1 578**	**1 954**	**2 168**	**2 278**	**2 382**	**2 380**	**2 349**	**2 383**
To nonbanks	278	372	432	479	500	503	492	500
To official monetary institutions	128	112	91	88	85	88	94	96
To other banks	1 172	1 470	1 645	1 711	1 777	1 789	1 763	1 787
In dollars	1 193	1 539	1 741	1 846	1 882	1 905	1 912	1 949
In other currencies	385	415	427	432	480	455	437	434
Domestic currencies, to nonresidents	**280**	**263**	**250**	**258**	**262**	**277**	**274**	**277**
To nonbanks	82	74	70	71	71	71	72	77
To banks	198	189	180	187	191	206	202	200
In dollars	135	126	116	133	126	140	140	143
In other currencies	145	137	134	125	134	137	134	134
Total	**1 858**	**2 217**	**2 418**	**2 536**	**2 624**	**2 657**	**2 623**	**2 660**
To nonbanks	360	446	502	550	571	574	564	577
To banks and official institutions	1 498	1 771	1 916	1 986	2 053	2 083	2 059	2 083
In dollars	1 328	1 665	1 857	1 979	2 010	2 045	2 052	2 092
In other currencies	530	552	561	557	614	592	571	568
Net market size	**957**	**1 155**	**1 285**	**1 385**	**1 403**	**1 421**	**1 408**	**1 421**

International bond issues and bank credits

millions of dollars

	1982	1983	1984	1985			Jan-Jun	
				Apr	May	Jun	1985	1984
By country of borrower								
Industrial countries	**108 772**	**102 652**	**177 077**	**17 234**	**16 863**	**21 631**	**100 857**	**97 330**
Australia	7 213	5 737	5 816	838	698	1 480	5 181	2 158
Austria	2 068	1 290	2 254	112	241	350	1 395	1 427
Belgium	1 529	2 168	1 847	336	21	610	1 597	887
Canada	15 856	8 571	13 124	400	579	1 786	9 230	4 929
Denmark	2 725	3 941	4 825	440	222	503	1 956	2 651
Finland	1 445	1 271	1 713	60	56	181	840	1 011
France	14 813	8 626	11 298	914	206	2 174	6 954	5 456
Germany	1 101	3 197	2 165	50	287	329	1 056	1 163
Greece	806	1 291	1 551	200	450	187	1 306	550
Ireland	1 136	1 869	1 377	191	39	267	898	264
Italy	6 687	4 876	6 933	1 958	771	395	6 973	2 220
Japan	8 397	14 428	17 526	1 763	1 425	1 652	10 853	11 263
Netherlands	1 000	1 213	1 973	133	123	383	896	1 527
New Zealand	4 786	802	3 206	—	268	468	1 219	1 152
Norway	2 601	1 969	1 324	135	—	1 268	1 887	641
Portugal	1 684	1 030	1 796	68	136	103	1 120	1 045
South Africa	1 889	1 300	1 422	201	73	217	692	968
Spain	2 675	4 977	4 931	616	695	300	2 645	3 248
Sweden	3 181	7 144	11 256	512	2 644	491	5 955	8 958
United Kingdom	2 836	2 726	8 899	2 198	3 648	1 937	9 806	3 938
United States	21 109	20 276	65 054	5 829	4 160	5 953	27 134	40 047
*Other**	3 233	3 950	6 785	282	123	399	1 266	1 827
Developing countries	**49 023**	**38 256**	**39 725**	**1 687**	**3 402**	**1 505**	**12 024**	**23 082**
Latin American countries	**29 667**	**15 592**	**17 464**	**286**	**152**	**130**	**1 297**	**11 906**
Argentina	1 565	1 750	4 212	—	—	—	—	12
Brazil	5 972	4 475	6 649	—	—	—	—	6 500
Chile	1 194	1 405	784	—	—	—	—	784
Colombia	776	552	589	—	52	—	52	229
Mexico	9 968	5 138	3 918	—	—	—	—	3 883
Venezuela	7 241	237	—	—	—	—	—	—
*Other***	2 951	2 035	1 312	286	100	130	1 245	398
Asian countries	**11 723**	**12 978**	**15 893**	**811**	**2 196**	**1 232**	**7 632**	**7 351**
India	555	968	945	21	—	10	348	352
Indonesia	1 822	2 363	1 924	—	400	24	424	1 074
Korea	3 277	4 387	6 201	418	429	908	3 118	2 647
Malaysia	2 872	2 197	2 605	92	120	81	1 011	1 390
Philippines	888	878	925	—	925	—	925	—
Thailand	414	747	1 221	—	75	41	666	683
Other	1 895	1 438	2 072	280	248	168	1 141	1 005
Middle Eastern and African countries	**7 633**	**9 686**	**6 368**	**590**	**1 055**	**144**	**3 096**	**3 925**
Algeria	86	1 993	821	—	700	—	1 300	200
Nigeria	2 069	2 343	985	—	—	—	—	985
Turkey	277	1 106	741	500	28	—	579	600
Other	5 201	4 244	3 821	90	327	144	1 217	2 140
Eastern European countries	**1 479**	**1 294**	**3 244**	**490**	**—**	**457**	**2 035**	**1 852**
Hungary	340	741	1 386	25	—	357	651	885
Soviet Union	1 131	93	1 051	333	—	—	539	528
*Other****	8	460	807	122	—	100	845	239
International organizations****	**11 353**	**16 201**	**13 287**	**1 706**	**2 499**	**870**	**9 758**	**5 497**
By type of instrument and currency								
International bond issues	**78 042**	**76 329**	**107 411**	**12 347**	**16 639**	**13 975**	**80 107**	**50 624**
Eurobonds	51 645	48 501	79 458	9 816	14 504	11 885	67 038	35 052
U.S. dollar	43 959	38 428	63 593	7 125	11 325	9 197	51 837	27 688
German mark	2 588	3 817	4 604	435	1 133	811	3 677	2 239
British pound	748	1 947	3 997	433	525	185	2 446	1 757
Japanese yen	374	212	1 212	478	180	—	1 866	348
European composite units	1 980	2 019	3 032	738	658	666	3 198	1 535
Other	1 996	2 078	3 020	607	682	1 026	4 016	1 285
Foreign bonds	26 397	27 828	27 953	2 531	2 132	2 090	13 068	15 572
U.S. dollar	5 946	4 545	5 487	308	509	200	2 157	3 287
German mark	2 952	2 671	2 243	145	65	113	802	1 018
British pound	1 214	811	1 292	92	—	—	157	744
Swiss franc	11 432	14 299	12 626	662	1 031	1 178	5 985	7 915
Japanese yen	3 418	3 772	4 628	1 195	387	337	2 990	1 783
Other	1 435	1 730	1 677	129	140	262	977	825
International bank credits	**92 585**	**82 074**	**125 922**	**9 760**	**6 129**	**10 488**	**44 585**	**76 937**
Eurocurrency credits	85 015	74 222	112 605	9 548	5 676	10 069	41 693	71 478
Foreign credits	7 570	7 852	13 317	212	453	419	2 873	5 459
Total	**170 627**	**158 403**	**233 333**	**21 107**	**22 765**	**24 463**	**124 672**	**127 561**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1981	1982	1983	1984	1985					
	Dec	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun
Eurodollar										
overnight	12.87	9.25	9.50	8.63	8.50	8.44	8.81	8.31	7.50	8.00
one month	13.31	9.13	9.69	8.38	8.31	8.88	8.69	8.38	7.56	7.63
three months	13.75	9.19	9.81	8.63	8.44	9.44	9.00	8.69	7.63	7.75
six months	14.81	9.50	10.06	9.13	8.69	10.00	9.44	9.00	7.88	7.88
twelve months	14.75	9.63	10.38	9.81	9.31	10.75	10.13	9.75	8.38	8.25
Euro-Canadian dollar										
one month	15.37	10.00	9.13	9.88	9.63	10.38	10.38	9.50	9.50	9.00
three months	15.37	10.00	9.50	10.81	9.63	11.19	10.56	9.81	9.50	9.38
six months	16.37	10.13	9.75	10.06	9.63	11.75	10.69	10.38	9.63	9.50
twelve months	16.37	10.25	10.00	10.44	9.86	12.06	12.00	10.75	9.94	9.63
Euro-French franc										
one month	15.75	23.00	12.13	10.69	10.31	10.63	10.63	10.31	10.13	10.50
three months	17.00	24.00	12.19	10.69	10.56	11.00	10.81	10.44	10.25	10.63
six months	18.00	22.00	12.31	11.00	11.00	11.44	11.25	10.75	10.38	10.75
twelve months	18.25	19.75	12.63	11.38	11.63	11.88	11.56	10.94	10.63	11.25
Euromark										
one month	10.44	5.88	5.25	5.50	5.75	5.81	5.69	5.75	5.50	5.44
three months	10.50	5.88	5.88	5.50	6.00	6.06	5.88	5.81	5.50	5.44
six months	10.56	5.94	6.13	5.56	6.06	6.38	6.06	5.88	5.56	5.50
twelve months	10.25	6.00	6.38	5.56	6.13	6.56	6.25	6.06	5.56	5.63
Euro-Dutch guilder										
one month	10.75	5.13	5.81	5.69	6.00	6.81	6.69	6.94	7.00	6.75
three months	10.75	5.19	6.00	5.75	6.13	7.06	6.81	6.94	6.88	6.69
six months	10.75	5.38	6.25	5.81	6.19	7.13	6.88	6.94	6.88	6.69
twelve months	10.75	5.63	6.38	5.94	6.31	7.31	6.94	7.00	6.81	6.69
Euro-Swiss franc										
one month	8.87	2.81	3.38	4.44	5.38	5.50	5.19	5.00	5.13	5.13
three months	9.25	3.25	3.75	4.56	5.38	5.75	5.50	5.19	5.13	5.25
six months	9.25	3.44	3.94	4.63	5.31	5.81	5.56	5.25	5.06	5.25
twelve months	8.50	3.44	3.94	4.69	5.19	5.63	5.44	5.25	5.00	5.25
Eurosterling										
one month	15.37	10.56	9.13	9.50	13.13	14.00	13.56	12.75	12.63	12.69
three months	15.69	10.44	9.31	9.88	12.50	13.88	13.13	12.69	12.44	12.44
six months	15.69	10.31	9.50	10.00	11.94	13.13	12.31	12.44	12.50	12.25
twelve months	15.37	10.31	9.81	10.19	11.88	12.69	11.94	12.13	12.01	11.94
Euroyen										
one month	6.12	6.75	6.25	6.19	6.19	6.50	6.25	6.13	6.31	6.19
three months	6.12	6.75	6.31	6.19	6.31	6.38	6.31	6.25	6.25	6.25
six months	6.87	7.10	6.38	6.13	6.25	6.31	6.31	6.31	6.25	6.25
twelve months	6.87	6.81	6.44	6.13	6.25	6.31	6.31	6.31	6.31	6.31
European currency unit										
one month	14.63	12.44	8.81	9.25	9.94	9.94	10.00	9.38	9.31	9.38
three months	14.75	12.31	9.19	9.38	9.94	10.06	10.13	9.56	9.31	9.38
six months	15.00	12.00	9.44	9.50	9.94	10.13	10.13	9.69	9.38	9.38
twelve months	14.56	11.19	9.63	9.63	9.94	10.13	10.25	9.88	9.50	9.38

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years at or near end of month

	1982	1983	1984		1985					
	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
United States companies										
Eurodollar	11.16	11.59	11.17	11.25	11.05	11.05	11.73	11.24	10.58	10.49
Euromark	7.24	7.34	7.08	6.95	7.19	7.57	7.35	7.11	6.90	6.91
Swiss franc	5.70	5.83	5.70	5.73	5.85	5.95	5.86	5.74	5.69	5.69
European governments										
Eurodollar	12.53	12.65	12.00	12.04	11.72	12.40	12.29	11.97	11.20	11.17
Euromark	8.10	8.12	7.43	7.39	7.54	7.88	7.81	7.54	7.37	7.38
Swiss franc	5.40	5.63	5.43	5.24	5.17	5.35	5.34	5.21	5.20	5.22
European currency unit	n.a.	11.77	10.79	10.64	10.62	10.65	10.44	10.39	10.10	10.17

Central bank discount rates

at or near end of month

	1982	1983	1984	1985					Current	
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul 12 1985	effective since
United States	8.50	8.50	8.00	8.00	8.00	8.00	7.50	7.50	7.50	May 17, 85
Canada	10.05	9.96	10.09	11.52	10.65	10.02	9.76	9.58	9.45	Jul 11, 85
Austria	4.75	3.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	Jun 28, 84
Belgium	11.50	10.00	11.00	11.00	11.00	11.00	9.50	9.25	9.50	Jul 9, 85
Denmark	10.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	8.50	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00	Feb 1, 85
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	5.00	4.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50	Jun 29, 84
Ireland	14.00	12.25	14.00	14.00	14.00	12.75	12.75	12.00	12.00	Jun 20, 85
Italy	18.00	17.00	16.50	15.50	15.50	15.50	15.50	15.50	15.50	Jan 4, 85
Netherlands	5.00	5.00	5.00	5.50	5.50	5.50	5.50	5.50	5.50	Feb 1, 85
Norway	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	19.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	Aug 10, 83
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	10.00	8.50	9.50	9.50	9.50	9.50	11.50	11.50	10.50	Jul 12, 85
Switzerland	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	10.00	9.00	9.38	13.75	13.75	12.25	12.25	12.25	11.81	Jul 12, 85
Japan	5.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Oct 22, 83
New Zealand	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Jul, 81
South Africa	15.45	18.50	21.75	22.33	22.33	21.25	20.25	19.25	18.25	Jul 4, 85
Argentina*	10.56	15.10	18.19	19.06	20.78	25.82	32.50	6.50	n.a.	Jun 15, 85
Korea	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
Philippines	6.30	8.05	12.11	11.32	11.91	n.a.	n.a.	n.a.	n.a.	Mar, 85
Singapore	7.00	7.00	6.75	6.50	6.50	6.00	5.50	5.50	5.50	May 21, 85
Thailand	12.50	13.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	Nov, 84
Venezuela	13.00	11.00	11.00	11.00	10.00	10.00	9.00	9.00	9.00	May 28, 85

*Percent per month.

Day-to-day money rates

monthly averages

	1981	1982	1983	1984		1985					
	Dec	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
United States	12.37	8.95	9.47	9.43	8.38	8.35	8.50	8.58	8.27	7.97	7.51
Canada	14.53	10.63	8.78	11.22	10.50	9.75	9.88	10.41	10.25	9.75	9.56
Austria	7.50	6.00	5.75	7.25	7.63	6.75	6.50	6.75	6.88	6.13	6.13
Belgium	12.45	9.29	7.39	10.07	9.12	9.22	8.99	9.13	9.45	8.84	8.14
Finland	11.30	11.50	16.70	15.48	15.07	14.57	14.18	14.00	13.96	13.80	13.77
France	15.46	12.88	12.27	11.18	10.95	10.56	10.65	10.67	10.48	10.17	10.22
Germany	10.58	6.15	5.61	5.51	5.62	5.52	5.78	5.85	5.70	5.67	5.55
Ireland	16.88	14.54	12.19	14.25	14.50	14.63	14.75	14.63	13.63	12.63	12.00
Italy	20.63	19.00	17.88	17.25	17.25	16.06	16.00	16.00	15.77	15.46	15.25
Netherlands	10.67	5.31	5.84	5.57	5.60	5.78	5.75	6.93	6.74	7.15	6.81
Norway	18.60	11.00	12.30	13.10	12.50	10.70	12.80	11.60	13.40	13.00	13.00
Spain	18.73	15.81	16.77	12.96	12.11	11.35	12.12	11.99	10.42	12.61	n.a.
Sweden	13.95	9.31	11.52	11.64	11.88	10.58	13.50	13.50	13.49	14.89	16.00
Switzerland	3.38	1.25	1.88	1.50	1.50	2.63	1.75	2.50	2.00	2.25	2.00
United Kingdom	9.13	6.70	7.78	7.55	6.31	7.38	11.94	10.60	12.38	11.26	10.17
Argentina*	12.84	11.04	4.56	10.92	10.88	10.89	11.14	13.34	14.78	15.12	n.a.
Japan	6.70	6.92	6.44	6.10	6.41	6.17	6.16	6.42	6.07	6.01	6.15
South Africa	12.75	14.15	16.06	21.50	21.13	22.19	21.56	21.50	21.50	19.81	18.60
Argentina	6.98	12.77	14.65	17.75	17.75	18.63	18.63	20.35	23.74	32.00	24.52
Brazil	103.74	150.42	184.69	244.59	272.02	378.76	287.93	337.15	n.a.	n.a.	n.a.
Hong Kong	10.75	9.13	13.90	7.23	6.80	6.94	6.18	6.15	7.21	5.88	6.35
Korea	14.40	13.84	11.40	10.90	10.00	8.90	9.30	9.70	9.30	9.50	9.00
Philippines	14.70	16.12	31.18	32.17	15.22	23.15	19.80	27.80	23.97	n.a.	n.a.
Singapore	3.96	11.45	7.05	6.29	6.01	5.40	6.07	5.30	4.69	5.75	5.18

*Percent per month.

Treasury bill rates

bond equivalent yields, at or near end of month

	1981	1982	1983	1984		1985					
	Dec	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
United States	11.90	8.15	9.28	8 71	7.99	7.88	8.87	8.42	8.08	7.63	7.05
Canada	14.41	9.80	9.71	10.50	9.84	9.50	11.27	10.40	9.77	9.51	9.33
Belgium	16.22	12.42	11.00	10.90	10.90	10.85	10.85	10.60	9.63	9.13	9.02
Ireland	18.13	15.25	12.01	14.80	15.10	14.59	14.54	13.77	13.43	12.21	11.29
Italy	21.36	19.11	16.95	14 90	14.69	13.75	13.46	13.38	14.31	14.22	n.a.
Netherlands	9.75	5.63	5.63	5 63	5.88	6.31	6.51	6.75	7.00	6.75	6.75
Spain	n.a.	15.28	14.46	12.42	n.a.	11.97	12.04	10.45	11.85	10.33	10.27
Sweden	n.a.	12.90	11.75	12.04	11.83	13.53	14.28	14.33	14.47	16.48	16.64
United Kingdom	15.35	9.96	9.04	9.27	9.33	11.89	13.91	12.77	12.26	12.16	12.33
Australia	13.27	9.39	8.54	10.98	12.27	12.22	13.51	14.82	14.72	14.25	n.a.
Japan	5.42	5.42	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91
New Zealand	11.25	11.25	7.80	13 50	13.50	17.50	17.45	19.50	23.40	21.00	n.a.
South Africa	14.55	14.62	18.43	21.82	21.94	23.05	23.01	22.45	21.92	18.78	16.00
Brazil	92.62	115.40	179.15	273.03	273.03	273.03	273.03	273.03	n.a.	n.a.	n.a.
Mexico	33.23	57.44	53.78	47.06	48.67	48.07	50.00	58.15	57.69	63.34	62.47
Philippines	13.22	14.54	15.99	48.67	47.14	35.69	30.92	34.29	34.22	n.a.	n.a.
Singapore	3.03	2.74	2.59	2.80	2.91	2.93	2.93	2.97	2.94	3.07	2.79

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1981	1982	1983	1984		1985					
	Dec	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
United States	12.96	8.94	9.89	8.97	8.34	8.17	9.18	8.94	8.39	7.70	7.70
Canada	15.25	9.95	9.87	10.80	10.10	9.65	11.80	10.55	10.20	9.80	9.70
Belgium	16.00	12.35	11.00	10.75	10.70	10.70	10.70	10.45	10.10	9.25	8.90
France	15.25	12.75	12.19	10.56	10 69	10.31	10.69	10.63	10.31	10.25	10.25
Germany	10.50	6.20	6.30	5.80	5.75	5.85	6.25	6.20	5.90	5.80	5.60
Ireland	18.50	15.75	12.19	15.38	15.13	14.63	14.75	13.75	12.75	12.75	11.69
Italy	21.00	19.00	17.88	17.25	17.25	16.00	16.13	15.75	15.25	15.00	14.75
Netherlands	11.00	5.25	6.00	5.94	5.75	6.50	7.19	6 88	7.13	6.94	6.69
Portugal	13.80	15.05	24.11	24.51	24.57	24.57	24.53	24.61	24.52	n.a.	n.a.
Spain	15.52	16.55	18.48	12.95	12.13	12.27	12.22	12 15	12.34	12 49	n.a.
Switzerland	10.12	3.88	3.88	5.00	5.00	5.63	6.13	5 75	5.38	5.38	5.38
United Kingdom	15.69	10.50	9.31	9.72	9.88	12.50	13.88	13.06	12.56	12.44	12.44
Australia	16.00	10.65	9.50	11.75	12.50	13.55	14.60	15.60	15.70	15.05	n.a.
Japan	6.30	6.80	6.42	6.30	6.29	6.26	6.32	6.27	6.25	6.25	6.30
New Zealand	16.05	16.75	12.10	15.25	15.25	18.75	22.75	25.00	23.50	23.20	n.a.
South Africa	15.47	15.26	19.12	22.11	22.78	24.07	24.12	23.50	22.09	19.35	17.35
Chile	30.46	55.90	20.68	46.24	20.68	20.68	30.42	27.86	38.93	32.85	n.a.
Hong Kong	14.18	10.13	12.84	8.76	8.26	7.85	7.64	8.28	7.35	6.96	7.00
Indonesia	14.48	18.50	19.50	19.00	19.00	19.00	20.50	22.00	19.00	18.00	17 50
Korea	15.69	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.50	8.50	9.80	10.00	10.30	9.50	9.30	10.01	9.50	12.00	7.75
Philippines	17.70	15.96	15.61	38.67	33.21	29.38	26 95	24.73	23.43	n.a.	n.a.
Singapore	7.81	8.69	8.44	6.69	7.00	6.03	6.44	6.06	5.31	5.25	5.31
Taiwan	10.94	9.94	7.65	6.17	8.07	6.78	9.14	7.76	6.45	6.98	6.47
Thailand	14.29	12.25	16.00	12.00	12.00	14.00	17.75	16.50	16.00	n.a.	13.00

Commercial bank deposit rates

at or near end of month

	1981	1982	1983	1984		1985					
	Dec	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
United States	12.62	8.25	9.70	8.85	8.35	8.06	9.22	8.80	8.25	7.50	7.57
Canada	15.20	9.85	9.82	10.75	10.05	9.60	11.75	10 50	10.15	9.75	9.65
Austria	9.63	6.25	6.50	7.63	7.50	6.94	6.88	6.88	6.88	6.50	6.50
Belgium	15.50	12.25	11.25	10.63	10.63	10.75	10.87	10.25	9.50	9.00	8.75
Denmark	10.00	9.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Finland	5.00	4.25	5.25	5.25	5.25	5.25	4.75	4.75	4.75	4.75	4.75
France	9.16	8.24	7.66	7.14	7.04	6.85	6.90	6.90	6.82	6.67	6.69
Germany	9.50	6.00	5.90	5.30	5.25	5.35	5.55	5.70	5.45	5.30	5.15
Ireland	18.38	15.25	11.75	14.75	14.63	14.25	14.25	13.50	12.00	11.75	11.25
Italy	13.25	13.25	13.25	11.64	11.64	11.00	11.00	10.96	10.96	10.88	10.88
Netherlands	11.00	5.38	6.13	5.81	5.69	6.38	7.06	6.81	7.00	6.81	6.63
Norway	12.75	13.50	12.75	12.75	12.75	12.25	13.00	12.75	12.75	12.40	12.25
Portugal	14.00	15.00	21.50	28.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
Spain	11.78	12.53	12.62	11.67	11.64	11.34	11.02	10.80	10.61	10.83	n.a.
Sweden	12.65	12.15	11.70	11.50	11.45	13.10	13.65	13.70	13.77	16.13	16.57
Switzerland	8.75	3.00	3.50	4.63	4.50	5.00	5.75	5.25	4 88	4.88	5 13
United Kingdom	15.69	10.31	9.31	9.75	9.88	13.13	13.75	13.00	12.50	12.38	12.31
Australia	15.65	10.20	10.40	11.46	12.75	13.78	13.82	14.95	15.55	14.93	n.a.
Japan	6.50	7.00	6.50	6.43	6.38	6.42	6.50	6 36	6.36	6.36	6.30
New Zealand	15.50	16.50	11.50	15.50	15.25	17.00	18.75	20.00	23.00	23.50	n.a.
South Africa	14.75	15.25	20.13	22.00	22.88	24.13	23.75	23.63	22.25	20.25	18.00
Argentina*	7.13	8.50	14.50	23.42	31.23	23.42	23.01	25.89	29.59	32.88	7.00
Brazil	110.05	21.00	23.00	26.50	27.00	26.00	25.50	26.50	n.a.	n.a.	n.a.
Chile	32.24	47.09	20.57	52.68	20.68	20.19	30.29	30.00	38.61	32.85	28.80
Hong Kong	12.50	7.50	9.00	7.50	7.00	5.50	5.50	5.00	4.50	4.00	3.50
Korea	14.40	7.60	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	10.00	8.40	7.75	10.02	9.58	9.50	9.50	9.66	9.42	9.67	8.17
Mexico	31.82	52.54	57.15	47.45	47.45	47.45	47.45	51.89	54.50	55.90	59.50
Philippines	13.35	14.10	14.96	32.47	31.01	27.07	24.36	22.12	23.88	n.a.	n.a.
Singapore	7.50	8.25	7.44	6.19	6.13	5.44	6.01	5.82	5.01	4.88	5.07
Taiwan	10.75	7.50	7.00	6.50	6.50	6.50	6.50	6.25	6.25	6.25	6.00
Thailand	10.00	10.00	10.00	13.00	13.00	13.00	13.00	13.00	16.00	n.a.	13.00
Venezuela	14.75	15.50	12.00	13.00	12.50	12.00	13.00	11.50	11.50	10.00	n.a.

*Percent per month.

Domestic government bond yields

long-term issues, at or near end of month

	1981	1982	1983	1984		1985					
	Dec	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
United States	14.33	10.61	12.00	11.64	11.61	11.28	12.09	11.92	11.64	10.71	10.62
Canada	15.27	11.69	12.02	11.81	11.66	11.38	12.30	11.93	11.50	10.76	10.88
Austria	10.37	8.81	8.02	8.07	8.04	8.00	8.00	8.06	8.06	8.01	7.87
Belgium	13.99	12.66	11.89	11.47	11.56	11.56	11.58	11.50	11 49	10.78	10.65
Denmark	20.91	20.14	12.96	14.92	14.60	13.66	13.74	13.33	12.87	12.26	12.16
Finland	10.98	10.64	11.16	10.84	10.73	10.84	10.91	10.39	10.34	10.45	10.46
France	16.44	15.40	13.96	12.36	12.70	12.12	12.25	12.27	11.98	11.72	11.83
Germany	9.71	7.90	8.38	7.20	7.17	7.35	7.71	7.44	7.30	7.10	7.02
Ireland	18.28	14.54	14.25	15.25	14.90	14.57	14.74	13.55	13.08	13.17	12.71
Italy	21.39	19.70	17.69	15.23	14.52	13.22	13.25	13.48	13.53	n.a.	n.a.
Netherlands	11.28	8.16	8.58	7.65	7.72	7.42	7.93	8.06	7.73	7.58	7.39
Norway	12.37	13.32	12.50	12.00	12.00	12.50	12.00	12.38	12.38	12.38	12.70
Portugal	17.39	16.63	22.11	21 21	22.23	20.34	20.69	20.21	n.a.	n.a.	n.a.
Spain	16.20	15.92	17.25	14.96	13.93	13.29	13.44	13.49	n.a.	n.a.	n.a.
Sweden	12.80	13.01	12.30	12.16	12.04	12 39	13.23	12.93	13.42	13.70	13.48
Switzerland	5.39	4.23	4 53	4 62	4.60	4.68	4.86	4.89	4.75	4.74	4.79
United Kingdom	15.02	10.62	9.94	9.96	10.25	10.65	10.56	10.34	10.42	10.51	10.45
Australia	15.00	13.00	13.65	13.30	13.40	13.12	13.70	13.85	14.05	13.70	n.a.
Japan	8.11	7.96	7.45	6.61	6.36	6.37	7.19	6.97	6.85	6.60	6.53
New Zealand	12.55	12.84	10.50	16 60	16.90	17.09	17.35	17.50	18.35	18.25	n.a.
South Africa	13.33	11.31	13.64	15.90	16.55	17.25	17.85	16.85	16.40	15.85	15.15
Philippines	13.01	13.64	14.47	34.77	18.54	21.15	24.20	13.69	12.75	n.a.	n.a.
Venezuela	12.50	15.00	13.50	14.50	14.00	13.00	13.50	13.00	12.50	12.50	12.50

Commercial bank lending rates to prime borrowers

at or near end of month

	1981	1982	1983	1984		1985					
	Dec	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
United States	15.75	11.50	11.00	11.25	10.75	10.50	10.50	10.50	10.50	10.00	9.50
Canada	17.25	12.50	11.00	12.00	11.25	11.00	11.50	11.75	10.75	10.50	10.50
Austria	13.50	11.75	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	8.50
Belgium	18.00	15.50	13.75	14.00	14.00	14.00	14.00	14.00	13.50	12.50	12.00
Denmark	15.00	14.00	10.00	10.50	10.50	10.50	10.50	11.00	10.50	10.50	10.50
Finland	9.84	8.95	10.18	10.63	10.68	10.69	10.30	10.36	10.38	10.37	n.a.
France	14.00	12.25	12.25	12.00	12.00	11.50	11.50	11.50	11.50	11.25	11.25
Germany	13.00	8.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Ireland	17.25	16.50	13.75	13.75	15.75	15.75	15.75	15.75	14.50	14.50	14.00
Italy	22.50	20.75	18.75	18.00	18.00	17.00	17.00	17.00	17.00	17.00	17.00
Netherlands	12.00	6.25	7.00	6.50	6.25	6.75	7.75	7.50	7.13	7.75	7.75
Norway	13.75	14.50	13.50	13.00	13.00	11.50	12.88	12.50	12.50	12.90	12.70
Portugal	20.50	23.50	30.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Spain	17.04	19.00	20.85	14.29	13.68	13.73	13.71	13.57	13.75	13.76	n.a.
Sweden	15.00	15.00	13.50	14.50	14.50	14.50	14.50	14.50	14.50	16.25	16.25
Switzerland	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
United Kingdom	14.50	10.00	9.00	9.50	9.50	12.00	14.00	13.00	12.50	12.50	12.50
Australia	15.75	15.00	12.75	13.00	13.50	14.25	14.75	16.00	16.50	16.75	17.75
Japan	6.95	6.28	5.89	5.71	5.70	5.70	5.70	5.70	5.70	5.70	6.70
New Zealand	13.00	13.00	11.00	14.00	14.00	14.00	15.00	17.00	n.a.	25.00	n.a.
South Africa	17.00	19.00	20.00	23.50	24.00	25.00	25.00	25.00	25.00	23.00	22.00
Argentina*	7.61	9.00	15.50	24.25	32.05	24.25	23.84	26.71	32.47	37.81	8.50
Brazil	152.40	23.81	24.00	30.50	31.00	30.00	29.50	30.50	n.a.	n.a.	n.a.
Chile	49.54	64.11	30.90	69.81	60.82	47.30	47.54	51.00	51.16	46.15	47.28
Hong Kong	16.00	10.50	13.50	11.50	11.00	10.00	10.00	9.50	9.00	8.50	8.00
Indonesia	19.25	22.00	19.75	23.50	23.50	22.50	22.50	23.50	23.00	22.00	21.50
Korea	16.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	12.00	12.50	11.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	11.00
Mexico	31.81	46.12	56.44	48.31	47.54	47.17	47.33	49.36	51.93	53.76	54.92
Philippines	18.00	18.00	18.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	11.83	9.33	8.98	9.88	9.40	9.08	9.03	9.03	8.73	8.48	8.28
Taiwan	15.25	10.75	10.25	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Thailand	17.00	16.00	16.00	16.50	16.50	16.50	16.50	17.00	17.00	n.a.	16.50
Venezuela	15.50	17.00	16.00	16.00	16.00	15.00	15.00	15.00	15.00	14.00	n.a.

*Percent per month.

Domestic corporate bond yields

long-term issues, at or near end of month

	1981	1982	1983	1984		1985					
	Dec	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
United States	15.50	11.75	12.63	12.37	12.25	12.00	13.00	12.50	12.38	11.25	11.25
Canada	16.18	12.74	12.89	12.62	12.42	12.08	12.95	12.46	12.24	11.34	n.a.
France	17.33	15.86	14.35	12.75	12.94	12.44	12.66	12.54	12.40	12.20	12.67
Germany	10.50	8.20	8.30	7.30	7.20	7.20	7.20	7.30	7.30	7.20	n.a.
Netherlands	11.03	7.80	8.51	7.61	7.51	7.33	8.00	8.22	7.87	7.62	7.41
Norway	13.36	14.13	13.25	12.75	12.75	12.75	12.75	13.25	13.25	13.25	13.50
Spain	14.76	17.10	19.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	12.94	13.37	12.21	13.21	12.33	12.34	12.67	13.31	13.19	13.80	n.a.
Switzerland	n.a.	5.80	4.92	5.09	5.09	5.06	5.16	5.24	5.14	5.18	n.a.
United Kingdom	16.55	12.34	11.57	11.45	11.64	12.06	11.98	11.55	11.56	11.61	11.54
Japan	7.70	7.55	7.09	6.51	6.21	6.46	6.98	6.93	6.82	6.70	6.63
Korea	26.90	16.00	14.20	14.90	15.00	14.70	14.70	14.70	14.60	14.70	14.30
Venezuela	17.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	17.00	17.00	n.a.

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